

Committee on Ways and Means

Subcommittee on Human Resources

States Have Surplus Funds, Other Resources To Reach Welfare-to-Work Goals

Starting on October 1, 2006, the welfare reforms included in the *Deficit Reduction Act of 2006* (DRA) will require States to ensure at least 50 percent of adult welfare recipients are engaged in work or a work-related activity. Recent articles have highlighted State concerns about meeting this Federal welfare-to-work goal¹ in the coming years. However, such stories often ignore key assets available to help States ensure at least half of adults on welfare work part time or more for their benefit checks:

1. ***Nearly \$4 billion in surplus Federal welfare funds.*** As reported by HHS on September 22, 2006, 47 States had unspent Federal TANF funds that totaled almost \$4 billion.² These unspent funds remain available to help more adults on welfare go to work and support their families.
2. ***Continued declines in welfare caseloads.*** A key reason States have surplus funds today is because the 1996 welfare reform law fixed Federal funding at a record high of about \$17 billion per year. That same level of annual funding (plus any unspent “surplus” funds from prior years, as described above) remains available to States today despite the fact welfare caseloads have dropped almost 60 percent since 1996. Those caseload declines continue, with welfare rolls falling 6 percent in the past year, including declines in all but three States.³ Continued declines free more funds to help families still on welfare go to work. Plus program rules provide States “credit” for helping more families leave welfare when determining the share of families still on welfare expected to work for their benefits.
3. ***Data about welfare recipients who may already be working.*** A 2005 Congressional hearing highlighted States’ ability to access data in the “National Directory of New Hires” about welfare recipients who may be working without States’ knowledge.⁴ At this hearing HHS reported that, in 10 States reviewed, 36 percent more welfare recipients were actually working than was previously known to the States’ welfare offices. By accessing this data, States can better target work supports to help low-income parents stay on the job, as well as improve their performance in meeting welfare-to-work requirements.

¹ See, for example, <http://www.thestate.com/mld/thestate/15593763.htm> . The *Deficit Reduction Act of 2005* (P.L. 109-171), which included provisions to strengthen and extend the 1996 welfare reforms, requires States to ensure that during fiscal year 2007, which starts October 1, 2006, at least 50 percent of adults on welfare work or participate in training. States that fail risk losing Federal welfare funds.

² See http://www.acf.hhs.gov/programs/ofs/data/2005/tableA_spending_2005.html . TANF = the Temporary Assistance for Needy Families welfare program.

³ See http://www.acf.hhs.gov/programs/ofa/caseload/2006/TANFCaseloadReport_family_080106.htm . March 2006 is the most recent month of data.

⁴ See <http://waysandmeans.house.gov/hearings.asp?formmode=detail&hearing=431&comm=2> .